

This pretended community, a heterogeneous assemblage, gathered from various countries, and composed for the most part of blacks and persons of mixed blood, had previously given other indications of mischievous and dangerous propensities. Early in the same month, property was clandestinely taken from the depot of the Transit Company and taken to Greytown. The plunderers obtained shelter there, and their pursuers were driven back by its people, who not only protected the wrong doers and shared the plunder, but treated with rudeness and violence those who sought to recover their property.

Such, in substance, are the facts submitted to my consideration and proved by trustworthy evidence. I could not doubt that the case demanded the interposition of this government. Justice required that reparation should be made for so many and such gross wrongs, and that a course of insolence and plunder, tending directly to the insecurity of the lives of numerous travelers, and of the rich treasures of citizens passing over the Transit-Way, should be peremptorily arrested. Whatever it might be in other respects, the community in question in power to do mischief was not despicable. It was well provided with ordinance, small arms and ammunition, and might easily seize upon unarmed boats, freighted with millions of property, which passed almost daily within its reach. It did not profess to belong to any regular government, and had in fact no recognized dependence or connection with any one to which the United States or the injured citizens might apply for redress, or which could be held responsible in any way, for the outrages committed. Not standing before the world in the attitude of an organized political state, being neither competent to exercise the rights nor to discharge the obligations of a government, it was in fact a marauding establishment, too dangerous to be disregarded and too guilty to pass unpunished, and yet incapable of being treated in any other way than as a piratical resort of outlaws or a camp of savages, depredating on emigrant trains or caravans on the frontier settlements of civilized states.

Seasonable notice was given to the people of Greytown that this government required them to repair the injury they had done to our citizens, and to make suitable apology for their insult of our minister, and that a ship of war would be dispatched thither to enforce compliance with these demands, but the notice passed unheeded. Thereupon, a commander of the navy, in charge of the sloop-of-war Cyane, was ordered to repeat the demands and to insist upon a compliance therewith.

Finding that neither the populace nor those assuming to have authority over them, manifested any disposition to make reparation or offer an excuse for their conduct, he warned them by a public proclamation, that if they did not give satisfaction within a time specified, he would bombard the town. By this procedure he afforded them opportunity to provide for their personal safety. To those who desired to avoid loss of property in the punishment about to be inflicted on the offending town, he furnished the means of removing their effects, by the boats of his own ship, and of a steamer, which he procured and tendered to them for that purpose. At length, perceiving no disposition on the part of the town to comply with his requisitions, he appealed to the commander of her Britannic Majesty's schooner Bermuda, who was seen to have intercourse and apparently much influence with the leaders, asking him to interpose and persuade them to take some course calculated to save the necessity of resorting to the extreme measures indicated in his proclamation; but that officer, instead of acceding to his request, did nothing more than to protest against the contemplated bombardment.

No steps of any sort were taken by the people to give the satisfaction required. No individuals, if any there were who regarded themselves as not responsible for the misconduct of the community, adopted any means to separate themselves from the fate of the guilty. The several charges on which the demands were founded had been publicly known to all for some time, and were again announced to them. They did not deny any

of these charges. They offered no explanation—nothing in extenuation of their conduct, but contumaciously refused to hold any intercourse with the commander of the Cyane. But their obstinate silence they seemed rather desirous to provoke chastisement than to escape it. There is ample reason to believe that this conduct of wanton defiance on their part is imputable to the delusive idea chiefly that the American government would be deterred from punishing them through fear of displeasing a formidable foreign power, which they presumed to think looked with complacency upon their aggressive and insulting deportment towards the United States. The Cyane at length fired upon the town. Before much injury had been done the fire was twice suspended in order to afford opportunity for an arrangement, but this was declined.

Most of the buildings of the place, of little value generally, were in the sequel, destroyed, but, owing to the considerate precautions taken by our naval commander, there was no destruction of life. When the Cyane was ordered to Central America, it was confidently hoped and expected that no occasion would arise for a resort to violence and destruction of property and loss of life. Instructions to that effect were given to her commander, and no extreme act would have been requisite, had not the people themselves, by their extraordinary conduct in the affair, frustrated all honorable measures for obtaining satisfaction. A withdrawal from the place would have entirely defeated the object of his visit, and under the circumstances, the commander of the Cyane would have found himself absolutely compelled to an abandonment of all claim of our citizens for indemnification, and to submissive acquiescence in national indignity. It would have encouraged in these lawless persons a spirit of insolence and rapine most dangerous to the lives and property of our citizens at Punta Arenas, and probably emboldened them to grasp at the treasures and valuable merchandise continually passing over the Nicaragua route.

It certainly would have been most satisfactory to me if the objects of the Cyane's mission could have been consummated without any act of public force. But the arrogant contumacy of the offenders rendered it impossible to avoid the alternative, either to break up their establishment, or to leave them impressed with the idea that they might persevere with impunity in insolence and plunder.

This transaction has been the subject of complaint on the part of some foreign powers, and has been characterized with more of harshness than of justice. If comparisons were to be instituted, it would not be difficult to present instances in the history of states standing in the very front of modern civilization, where communities less offending and more defenceless than Greytown, have been chastised with much greater severity, and where not cities only have been laid in ruins, but human life has been recklessly sacrificed, and the blood of the innocent made profusely to mingle with that of the guilty.

Passing from foreign to domestic affairs, your attention is naturally directed to the financial condition of the country, always a subject of general interest. For complete and exact information regarding the finances, and various branches of the public service connected therewith, I refer you to the report of the Secretary of the Treasury, from which it will appear that the amount of revenue during the last fiscal year, from all sources, is \$73,549,705, and that the public expenditures for the same period, exclusive of payments on account of the public debt, amounted to \$51,018,249. During the same period, the payments made on redemption of the public debt, including interest and premiums, amounted to \$24,336,380. To the sum total of the receipts of that year, is to be added a balance remaining in the treasury at the commencement thereof, amounting to \$21,942,892, and at the close of the same year a corresponding balance amounting to \$20,137,997 of receipts above expenditures was also remaining in the Treasury.

Although in the opinion of the Secretary of the Treasury the receipts of the current fiscal year are not likely to equal in amount those of the last, yet they will undoubtedly

exceed the amount of expenditures by at least \$15,000,000. I shall continue to direct the surplus revenues, so far as it can be judiciously and economically done, to be applied to the reduction of the public debt, the amount of which at the commencement of last fiscal year was \$67,340,628, of which there had been paid on 20th Nov. 1854, the sum of \$22,365,172, leaving a balance of outstanding public debt of only \$44,975,456, redeemable at different periods within 14 years. There are also remnants of other government stocks, most of which are already due, and on which interest has ceased, but which have not yet been presented for payment, amounting to \$233,179.

This statement exhibits the fact that the annual income of the government greatly exceeds the amount of its public debt, which latter remains unpaid, only because the time of payment has not yet matured, and it cannot be discharged at once except at the option of public creditors, who prefer to retain the securities of the United States, and the other fact, not less striking, that the annual revenue from all sources exceeds by many millions of dollars the amount wanted for a prudent and economical administration of the government. The estimates, presented to Congress from the different executive departments at the last session, amounted to \$38,406,581, and the appropriations made to the sum of \$58,116,938.

Of this excess of appropriations over estimates, however, more than twenty millions was applicable to extraordinary objects, having no reference to the usual annual expenditures. Among these objects was embraced ten millions to meet the third article of the treaty between the United States and Mexico; so in fact objects of ordinary expense in the appropriations were limited to considerably less than forty millions. I therefore renew my recommendation for a reduction of duties on imports. The report of the Secretary of the Treasury presents a series of tables showing the operations of the revenue system for several successive years, and as the general principle of reduction of duties with a view to revenue and not protection, may now be regarded as the settled policy of the country, I trust that little difficulty will be encountered in settling the details of a measure to that effect.

In connection with this subject, I recommend a change in the laws which recent experience has shown to be essential to the protection of the government. There is no express provision of law requiring the records and papers of a public character of the government to be left in their offices for the use of their successors, nor any provision declaring it a felony on their part to make false entries in the books or return false accounts. In the absence of such express provision by law the retiring officers have claimed and exercised the right to take into their own possession important books and papers on the ground that these were their private property and have placed them beyond the reach of the government.

Conduct of this character brought in several cases to the notice of the present Secretary of the Treasury naturally awakened his suspicion and resulted in the disclosure that at four ports, namely, Oswego, Toledo, Sandusky and Milwaukee, the treasury had, by false entries, been defrauded within the four years next preceding March, 1853, of the sum of \$198,000. The great difficulty with which the detection of these frauds has been attended, in consequence of the abstraction of books and papers by the retiring officers and the facility with which similar frauds in the public service may be made hereafter render the necessity of new legal enactments in the respects above referred to, quite obvious.

For other material modifications of the revenue laws, which seem to me desirable, I refer you to the report of the Secretary of the Treasury. That report, and the tables which accompany it, furnish ample evidence of the solid foundation on which the financial security of the country rests, and of the salutary influence of the independent treasury system upon commerce and all monetary operations.

The experience of the last year furnishes additional reasons, I regret to say of a painful character, for the recommendation here-

before made to provide for increasing the military force employed in the territory inhabited by the Indians. The settlers on the frontier have suffered much from the incursions of predatory bands, and large parties of emigrants to our Pacific possessions have been massacred with impunity. The recurrence of such scenes can only be prevented by teaching these wild tribes the power of this government and their responsibility to us.

From the garrisons in frontier posts, it is only possible to detach troops in small bodies, and though they have, on all occasions, displayed a gallantry and a stern devotion to duty, which, on a larger field, would have commanded admiration, they have suffered severely in these conflicts with superior numbers, and have sometimes been nearly sacrificed. All the disposable force of the army is already employed in this service, and is known to be wholly inadequate to the protection which should be afforded.

The public mind of the country has been recently shocked by savage atrocities committed upon defenceless emigrants, traders, and settlers, and hardly less by the unnecessary destruction of lives where inadequate detachments of troops to furnish the needed aid. Without increase of the military force, these scenes will be repeated, it is to be feared, on a larger scale, and with more disastrous consequences. Congress, I am sure will perceive the plain duties and responsibilities of government involved in this question and action may be confidently anticipated, when delay may be attended with such fearful hazards.

The bill of the last session providing for an increase of the pay of the rank and file of the army has had beneficial results, not only in facilitating enlistments but in obvious improvement in the class of men who enter the service. I regret that corresponding consideration was not bestowed on the officers who, in view of character and services and the expense to which they are necessarily subject, receive at present what is in my judgment inadequate compensation. The valuable services constantly rendered by the army, and its inestimable importance as the nucleus around which the volunteer forces of the nation can compactly gather in the hour of danger, sufficiently attest the wisdom of maintaining a peace establishment, but the theory of our system, and the wise practice under it, require that any proposed augmentation, in time of peace, be only commensurate with our extended limits and frontier regions.

While scrupulously adhering to this principle, I find in existing circumstances a necessity for an increase of our military force. It is believed that four new regiments, two of infantry and two of mounted men, will be sufficient to meet the present emergency. If it were necessary carefully to weigh the cost in a case of such urgency, it could be shown that the additional expense would be comparatively light.

With the increase of the numerical force of the army should, I think, be combined certain measures of reform in its organization and administration. The present organization is the result of partial legislation, often directed to special objects and interests, and the laws regulating rank and command having been adopted many years ago from the British code, are not always applicable to our service. It is not surprising, therefore, that the system should be deficient. Simplicity is essential to the harmonious working of its several parts, and it requires a careful revision of the present organization.

By maintaining a large staff, corps or department we separate many officers from that close connection with troops, and those active in the field, which are deemed requisite to qualify them for the varied responsibilities to command. Were the duties of the army staff mainly discharged by officers detailed from the regiment, it is believed that special services would be equally well performed and the discipline and instruction of the army be improved, while due regard to security of the rights of officers and to the nice sense of honor, which should be cultivated amongst them, would serve to exact compliance to established rules of promotion in ordinary cases; still it can hardly be doubted that the range of promotion by